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SPECIAL 95th ANNIVERSARY ISSUE

JULY/AUGUST 1988 $2.00

BUSINESS MONTH

HE'S BACK!

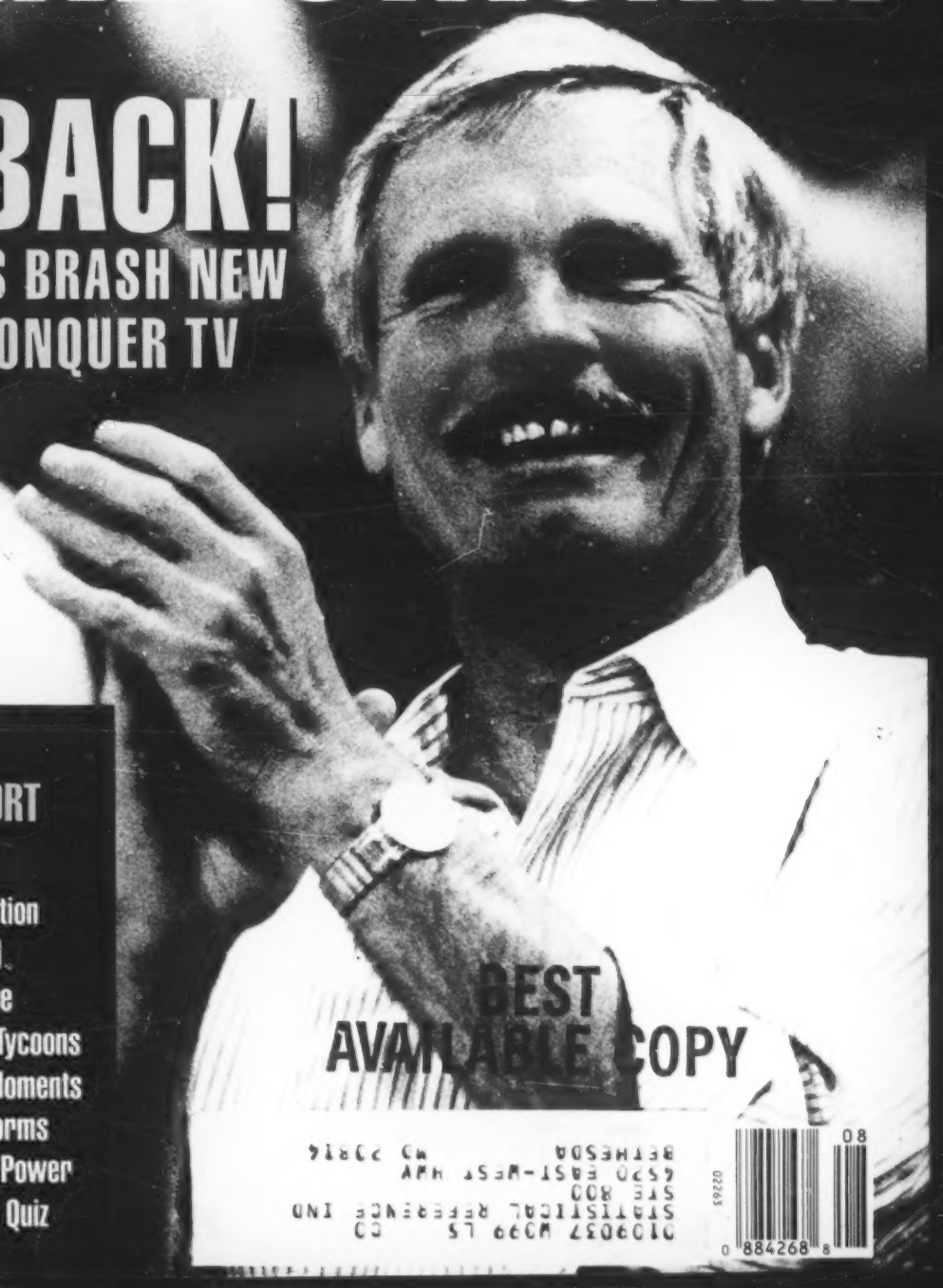
TED TURNER'S BRASH NEW SCHEME TO CONQUER TV

By Gwenda Blair

INSIDE THE SECRET WORLD OF BOHEMIAN GROVE

OUR SPECIAL 95th ANNIVERSARY REPORT

Reinventing The Corporation
What 95 CEOs See Ahead
America's British Disease
Lessons From The First Tycoons
Industry's Memorable Moments
10 Management Brainstorms
Companies With Staying Power
The Best Business Trivia Quiz



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BUSINESS MONTH

JULY/AUGUST 1988

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FROM THE EDITOR IN CHIEF

With this special double issue, BUSINESS MONTH celebrates its 95th anniversary. It is, so far as we know, the oldest national business publication in the United States, having survived name changes (it began as *Dun's Review*—see the front of the very first issue below [top left]—and has been known as *Dun's Review and Modern Industry*, *Dun's*, *Dun's Business Month*, and now BUSINESS MONTH), shifts in editorial focus, changes in editors and writers, and the considerable vagaries of business itself.

But of much greater interest is our realization that the growth of the magazine parallels the splendid growth of corporate management in this country. The Management Epoch dates from about the 1890s, when some of America's finest companies were born. From rough beginnings in garages and tiny laboratories and classrooms, in offices and in showers, we suppose, the discipline of management has sprung to its present huge and complicated self.

This discipline has its practitioners, of course. But it also has consultants and experts and commentators and gurus, as befits a mystical body of knowledge. Management is hardly an exact science, and there are as many theories on the proper structure and pursuit of management goals as there are, well, economists on all sides of every issue.

In those years, however, a distinctly American management style arose. It was gruff and direct, and it had all the elements of American life: imagination and willingness to risk, intelligence and vision, industriousness and sacrifice—and, to be sure, its share of greed and theft and meanness of spirit. But it was the American can-do style that caught on. The Japanese since World War II have copied the style to a fare-thee-well and have become what Americans once were; U.S. management now copies the Japanese copying Americans copying . . . .

The Management Epoch remains in full swing in this 95th year, and BUSINESS MONTH rededicates itself to reporting on the ideas and trends, issues and policies, patterns and personalities of the great corporations as they struggle to enter the 21st century very high up the mountains they once commanded, if not, in all cases, as kings of the hill.

JOHN VAN DOORN

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NORA FELLER

PERSPECTIVE

Over There Is Where It's At

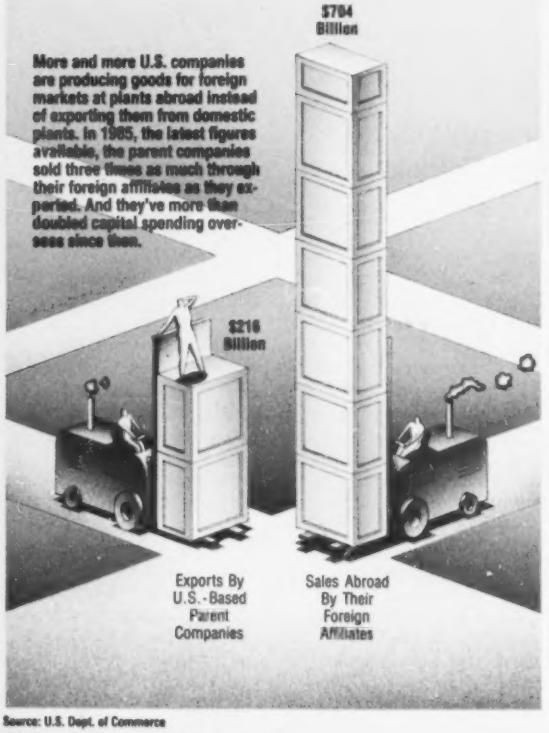
THE BLOODY BATTLE between President Reagan and Congress over the finer points of trade legislation may make good entertainment, but it's not going to have much impact on the kudzu-like trade deficit. That, at least, is the unhappy news from John Hein, director of international economic research at the Conference Board. "People keep asking me when the U.S. trade deficit will get back to zero," says Hein. "My answer is that it won't happen in my lifetime. We'll be lucky to get it down to $100 billion a year within three to five years."

Why such a gloomy outlook? It's not the loss of markets to the Japanese or the erratic dollar. It's because "exports have become passé in doing global business," Hein says. Instead, American businesses are expanding production facilities abroad—to the point where sales of goods and services by their foreign-based operations now outweigh their exports from the United States by more than three-to-one. (See chart.) Last year, American companies invested a record $22.6 billion abroad, versus $11.8 billion in 1986 (adjusted for currency changes). Small wonder, then, that economists are pessimistic about whittling down the trade gap—what with U.S. multinationals sacrificing exports on a rapidly growing scale.

The brightest hope is the fact that Japanese, British and other foreign-based multinationals are expanding in the United States just as vigorously as American-based companies are increasing their foreign output. "The big Japanese trading companies, such as Mitsui, are already among the largest U.S. exporters," Hein says. Their exports from the United States are helping to contain the trade deficit and creating domestic jobs to offset those lost through American expansion abroad. Does this mean that what's good for Honda is good for America?

—*STEPHEN W. QUICKEL*

U.S. EXPORTS: HEADED FOR A COLLISION


$704 Billion
More and more U.S. companies are producing goods for foreign markets at plants abroad instead of exporting them from domestic plants. In 1985, the latest figures available, the parent companies sold three times as much through their foreign affiliates as they exported. And they've more than doubled capital spending overseas since then.
$216 Billion
Exports By U.S.-Based Parent Companies
Sales Abroad By Their Foreign Affiliates

HANS NEUMAN/WHEELER; CHART BY DALE GLASGOW

Source: U.S. Dept. of Commerce

H. Ross Aims To Affix His Stamp

WHAT IS H. ROSS PEROT, the Texas computer magnate and self-appointed industry gadfly, going to do with the United States Postal Service now that he's got it? Speculation is he may be planning a management strategy similar to the one he used in 1984 to overhaul the Texas education system: No pass-no play for high-school athletes becomes no productivity-no pay for Uncle Sam's letter carriers.

The feisty genius of the systems-automation world turned down the official position of Postmaster General earlier this year but accepted a 90-day, nonprofit contract to identify and implement initiatives throughout the post-office system that will cut costs, now spiraling out of control at the rate of $1.5 billion a year. After that three-month period, Perot will split any savings generated by his recommendations with the federal government.

In taking on the Postal Service, H. Ross Perot may have met his match.

Perot's vehicle for this impending postal barrage is his new Perot Systems Corporation, a company backed with some of his own billions through a financing venture he calls—with typical aplomb—Here We Go Again. The Texan built his first company, Electronic Data Systems Corporation (EDS), from a $1,000 nest egg into a computing giant for which General Motors was willing to pay $2.55 billion. This time around, he has started with significantly more money—most notably the $850 million alimony payment General Motors gave him in 1986 to quit bad-mouthing the company's management.

Perot's new venture will also receive a head start from the raft of eight senior executives he lured away from EDS the day after his non-compete

THE CASH CRUNCH

Money is certainly not pouring into corporate pockets, as revealed by BUSINESS MONTH's annual survey of cash-flow leaders. Pity especially poor General Motors.

As if October 19 wasn't bad enough, American industry's total cash flow fell last year for the first time since 1980. The downturn—1.3 percent to $370.8 billion, according to Data Resources Inc., the economics research firm—came despite a respectable 8.6 percent growth in corporate profits. The gloomier cash-flow picture reflected the bite of a higher effective tax rate and the fact that much of the growth in profits—the first increase since 1984—was due to the rising value of unsold inventories, which is not reflected in cash flow.

As every chief financial officer knows, the cash generated by a company's operations—basically, net profits plus depreciation and deferred taxes—is a far more reliable barometer of financial well-being than profits, which are often skewed by accounting conventions. A healthy cash flow gives a company the wherewithal to borrow money, sell equity, build new plants, buy new businesses, pay dividends and weather a recession.

The 200 richest companies chalked up cash flow of $209.3 billion in 1987, just a smidgen off 1986's $209.7 billion. One negative influence on the overall result was the poor performance of General Motors Corporation, which fell off the top-200 list with a thud. In 1986, GM's $5.8 billion in cash flow put it in fifth place. But last year, poor car sales and hulking inventories forced the company to bankroll sales with cut-rate loans, and by year-end the loans ended up as an $8.5 billion payable on the books, wiping out its cash. To add insult to injury, Ford Motor Company replaced GM as the leader in the most telling indicator of corporate health: discretionary cash flow (the free cash remaining after capital expenditures, debt retirement and dividend payments).

Corporate restructurings continued to swell some company coffers in 1987, adding a number of old-line companies to the top 200. Among the 45 newcomers to the roster: Eaton, an industrial components producer; Caterpillar, the big construction and equipment company; and three steel companies—Bethlehem, Wheeling-Pittsburgh Steel and LTV, a recovered bankrupt. Strong commodity prices sparked profit comebacks for Reynolds Metals and for three paper producers—Fort Howard, Bowater and Stone Container—all of which gained entry to the list. So did Texas Instruments and Intel, thanks to a turnaround in the semiconductor market.

But ongoing recession fears, on top of the stock-market crash, have made even cash-rich companies tightfisted. Capital spending on plant and equipment rose by a meager 1 percent in 1987, even though many manufacturers have been operating at close to capacity. "It looks like companies are hoarding their cash," says Mark Tavel, executive vice president of Value Line. "They don't have enough confidence in the future to spend $200 million or $300 million on plants that will not be ready for two or three years. Management is saying, let's sit on our hands."

Management's caution is understandable. Many companies rushed to add new capacity in the 1970s and were badly hurt by the 1981–82 recession. They don't want to get caught again by expanding too fast.

At the same time, cash is being drained to service the debt built up in rampant takeover activity. A number of companies spent heavily in 1987 to defend themselves against hostile takeovers. Some $75.7 billion in stock buy-backs were announced during the year, nearly double the $39 billion announced in 1986, according to Salomon Brothers. On the top-200 list, for example, USX and Santa Fe Southern Pacific both show healthy cash flow but negative discretionary cash on hand, caused in part by their outlays for stock buy-backs and special dividends.

Several companies that were swallowed in heavily debt-financed takeovers—Federated Department Stores, Safeway Stores and Firestone Tire & Rubber—will be off the top-200 list in 1988. And the roster is filled with companies that are now locked in a struggle to stay independent. Texaco, Pennzoil, Avon, Gillette, Bausch & Lomb, Contel, USG and Pillsbury share the dubious distinction of being in play—due largely to the attraction of their healthy cash flow.

Indeed, for cash-rich companies looking to expand, it is still cheaper to buy than to build, and raiders have taken a backseat to aggressive U.S. and foreign companies in the acquisition boom of the past few months. If there is a recession—which economists are now predicting for the second half of 1989—the pickings should be even easier.

The 200 nonfinancial companies listed on the following pages are ranked by the dollar value of cash flow generated from operations in 1987.

WRITER: LEAH NATHANS

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES	MARKET VALUE/ CASH FLOW RATIO
1 Exxon	10,266	45.4	4,840	-9.7	1,431	-1,302	14.4	.23	76,416	13.4	5.1
2 International Business Machines	8,748	-26.1	5,258	9.8	1,509	4,122	13.7	.14	54,217	16.1	7.9
3 Ford Motor	8,272	8.5	4,625	40.8	13,781	3,363	25.0	.20	71,643	11.6	2.2
4 American Telephone & Telegraph†	6,370	-6.1	2,044	551.0	908	490	14.0	.54	51,209	12.4	4.6
5 Texaco	5,972	44.9	-4,407	NM	2,953	1,138	-48.1	.18	34,372	17.4	1.6
6 Chevron	4,361	-2.9	1,007	40.8	CF	880	6.4	.45	26,015	16.8	3.1
7 General Electric	4,341	44.2	2,119	-15.0	1,320	-164	12.9	.34	39,315	11.0	9.2
8 Du Pont (E.I.)	4,225	9.8	1,786	16.1	132	292	12.7	.33	30,468	13.9	4.9
9 Atlantic Richfield	4,222	224.0	1,224	99.0	1,171	-2,336	20.8	1.38	16,282	25.9	2.9
10 Amoco	3,959	41.7	1,360	82.1	544	-608	11.2	.29	20,174	19.6	4.5
11 GTE	3,916	-1.2	1,119	-5.5	-336	-334	13.9	1.24	15,421	25.4	2.9
12 BellSouth	3,686	-12.2	1,665	4.8	-505	-179	13.9	.59	12,269	30.1	4.8
13 RJR Nabisco†	3,746	21.7	1,081	.1	1,915	1,380	17.4	.72	15,766	23.8	3.0
14 Mobil	3,282	-15.3	1,258	-10.6	-204	-69	7.5	.52	51,223	6.4	4.9
15 Bell Atlantic	3,232	-2.3	1,240	6.3	117	312	14.2	.67	10,298	31.4	4.0
16 NYNEX	2,897	-7.2	1,277	5.0	-649	8	13.9	.67	12,084	24.0	4.5
17 American Information Technologies	2,769	-14.2	1,188	4.4	55	276	15.6	.64	9,536	29.0	4.2
18 Philip Morris	2,752	17.8	1,842	24.6	1,182	477	27.0	.93	22,279	12.4	7.3
19 Chrysler	2,704	9.4	1,290	-8.1	429	132	19.8	.56	26,277	10.3	1.8
20 US West	2,643	-1.1	1,006	8.8	200	188	13.5	.70	8,445	31.3	3.6
21 Southwestern Bell	2,610	-3.1	1,047	2.4	424	102	12.8	.80	8,003	32.6	4.0
22 Allegis	2,595	229.7	-4	NM	1,419	-1,066	-0.2	.85	8,293	31.3	1.6
23 Eastman Kodak	2,553	92.2	1,178	215.0	CF	CF	19.6	.54	13,305	19.2	6.2
24 Pacific Telesis	2,371	-27.5	950	-12.0	-579	332	12.0	.74	9,131	26.0	4.9
25 Occidental Petroleum	1,958	173.7	184	6.9	0.5	-763	3.1	1.28	17,096	11.5	2.7
26 Dow Chemical	1,848	18.2	1,245	68.0	384	136	21.6	.69	13,377	13.8	9.2
27 Allied-Signal	1,813	121.4	515	-14.9	768	-279	16.4	.80	11,116	16.3	2.3
28 Procter & Gamble*	1,741	38.8	337	-53.9	316	-285	5.5	.50	17,000	10.3	8.3
29 Digital Equipment*	1,718	27.6	1,137	84.2	966	781	18.1	.04	9,389	18.3	9.9
30 Unisys	1,704	53.8	578	NM	369	390	15.2	.46	9,713	17.5	2.9
31 Minnesota Mining & Manufacturing	1,540	1.7	918	17.8	282	387	18.1	.14	9,429	16.3	9.5
32 Sun	1,511	215.5	348	-9.6	-232	-1,103	6.6	.60	8,691	17.4	3.6
33 Tenneco	1,504	39.8	-132	NM	-248	-539	-4.8	1.94	14,790	10.2	3.9
34 PepsiCo	1,431	-20.3	605	32.2	449	571	24.1	1.29	11,485	12.5	6.1
35 CSX†	1,404	38.5	432	3.4	69	-179	8.9	.70	8,043	17.5	3.2
36 Coca-Cola	1,332	36.9	516	-2.0	583	-129	28.4	.84	7,658	17.4	10.7
37 Rockwell International*	1,330	0.6	635	3.9	642	518	19.2	.28	12,123	11.0	3.4
38 Goodyear Tire & Rubber	1,235	NM	514	410.3	434	-1,619	28.0	1.97	9,905	12.5	2.8
39 Santa Fe Southern Pacific	1,234	-0.7	346	NM	-272	-181	6.6	.37	5,448	22.6	5.9
40 Unocal	1,232	-22.9	181	2.8	104	511	10.3	2.83	8,466	14.6	2.7
41 United Parcel Service	1,222	3.4	625	-6.6	-295	184	20.6	.04	9,682	12.6	NA
42 ITT	1,209	-38.9	1,085	105.5	420	1,273	14.3	.37	8,551	14.1	5.0
43 Hewlett-Packard*	1,191	17.5	644	24.8	575	403	12.8	.21	8,090	14.7	12.6
44 Phillips Petroleum	1,180	-5.0	35	-85.0	92	197	0.8	3.07	10,721	11.0	2.7
45 United Technologies	1,171	NM	592	NM	145	-1,163	13.8	.56	17,170	6.8	3.8
46 Burlington Northern	1,122	-14.2	367	NM	177	318	9.7	.90	6,621	16.9	4.2
47 Union Pacific†	1,103	-33.3	560	NM	CF	CF	14.9	.70	5,943	18.6	5.1
48 McDonald's	1,098	25.0	549	14.5	-89	-180	18.8	.95	4,853	22.6	7.6
49 Merck	1,050	5.1	906	34.1	461	509	42.8	.48	5,061	20.8	19.8
50 General Motors (Class H)	1,044	37.2	670	12.8	404	-62	9.5	.11	10,408	10.0	3.1

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES	MARKET VALUE/ CASH FLOW RATIO
51 Lockheed	1,025	24.9	436	6.9	504	212	20.9	.59	11,321	9.1	2.1
52 United Telecommunications	1,019	11.2	–52	NM	83	–262	–3.6	2.10	3,064	33.3	2.4
53 Anheuser-Busch	997	9.1	615	18.7	–18	–35	21.3	.49	8,258	12.1	9.8
54 General Motors (Class E)	977	72.1	323	23.8	555	–112	30.7	.06	4,324	22.6	2.0
55 NCR	945	38.9	419	24.6	447	215	19.4	.10	5,641	16.8	5.6
56 Johnson & Johnson	937	–28.2	833	152.8	120	565	23.9	.31	8,012	11.7	13.8
57 LTV	900	NM	503	NM	537	–410	NM	NM	7,582	11.9	0.3
58 USX	894	–51.5	206	NM	–3,785	248	2.7	1.52	13,898	6.4	8.8
59 Contel	865	6.6	78	–66.6	–25	–94	5.4	1.54	2,905	29.8	2.6
60 Abbott Laboratories	857	27.0	633	17.0	222	116	30.2	.42	4,388	19.5	12.8
61 Quantum Chemical	845	NM	144	160.6	583	–347	13.4	.80	2,567	32.9	2.6
62 AMR	843	12.9	198	–28.9	–465	–1,043	7.4	1.06	7,198	11.7	2.5
63 Delta Air Lines[3]	826	138.0	264	457.7	–429	–314	13.6	.55	5,318	15.5	2.2
64 Norfolk Southern	815	–4.3	173	–66.8	–81	–187	3.5	.16	4,113	19.8	6.1
65 Bristol-Myers	813	19.5	710	20.4	214	154	22.0	.13	5,401	15.1	14.7
66 American Home Products	804	–44.8	845	8.5	33	786	33.4	.16	5,028	16.0	13.2
67 SmithKline Beckman	786	7.2	570	9.4	CF	CF	36.0	.76	4,329	18.2	7.7
68 AMAX	774	NM	77	NM	CF	CF	5.6	1.08	3,351	23.1	2.5
69 Weyerhaeuser	770	41.3	447	61.4	–203	–283	11.6	.48	6,990	11.0	6.8
70 Eaton	742	253.9	206	49.9	521	15	19.1	.77	3,138	23.6	2.7
71 Owens-Corning Fiberglas	727	268.6	220	NM	–131	CF	NM	NM	2,891	25.1	0.9
72 Sara Lee[3]	724	132.4	268	19.5	316	–20	18.6	.62	9,155	7.9	5.4
73 Borden	718	–0.1	267	19.6	420	468	16.1	.78	6,514	11.0	5.1
74 K mart[3]†	716	4.7	692	21.4	–134	–177	15.7	.64	25,864	2.8	8.3
75 Hospital Corp. of America	715	105.9	–58	NM	0.4	–350	–3.0	1.33	4,676	15.3	3.6
76 Penney (J.C.)[9]	708	5.2	608	14.7	–365	142	14.6	.85	15,332	4.6	8.5
77 CPC International	687	41.2	355	61.9	311	–4	32.7	.87	4,903	14.0	4.7
78 Aluminum Co. of America	682	–20.4	224	–15.2	–349	139	5.8	.68	7,767	8.8	6.1
79 Motorola	663	–1.9	308	58.8	–119	–18	10.2	.24	6,707	9.9	9.7
80 Consolidated Rail	651	20.1	267	–15.5	35	–163	6.9	.24	3,247	20.1	2.9
81 Kraft	646	–36.1	390	.1	23	540	20.6	.83	9,876	6.5	9.6
82 Holiday	635	9.3	118	14.0	–1,208	142	NM	NM	1,820	34.9	1.0
83 Kimberly-Clark	628	47.5	325	20.7	227	–7	20.7	.60	4,885	12.9	6.4
84 Emerson Electric[6]	619	24.3	467	14.3	189	132	17.3	.34	6,170	10.0	12.9
85 Lilly (Eli)	619	–31.8	411	–26.5	–13	355	13.7	.20	3,644	17.0	17.6
86 Waste Management	613	–28.3	327	–11.8	–95	318	17.4	.28	2,758	22.2	13.8
87 PPG Industries	601	30.4	377	19.2	CF	CF	18.5	.70	5,183	11.6	6.1
88 Georgia-Pacific	592	13.0	458	54.7	–356	–96	17.0	.61	8,603	6.9	6.1
89 Monsanto	590	–48.8	436	0.7	–265	409	11.2	.54	7,639	7.7	10.4
90 TRW†	590	24.7	243	11.6	21	–82	17.0	.83	6,821	8.6	4.8
91 Caterpillar	578	650.7	319	319.7	–21	–400	9.0	.42	8,180	7.1	10.9
92 Kellogg	557	2.5	396	24.2	–84	86	32.7	.36	3,793	14.7	11.6
93 May Department Stores	555	NM	444	16.5	–265	–722	16.2	.45	10,581	5.3	7.8
94 Capital Cities/ABC	547	NM	279	53.4	CF	CF	12.5	.76	4,440	12.3	10.2
95 Federated Dept. Stores	537	8.4	313	3.7	–106	–176	11.9	.52	11,118	4.8	5.4
96 Bethlehem Steel	537	148.8	104	NM	184	–32	8.5	1.08	4,621	11.6	2.0
97 Union Carbide	517	–64.4	232	78.5	–251	–490	18.6	2.55	6,914	7.5	5.6
98 Kiewit (Peter) Sons	517	NA	124	–20.5	246	NA	11.7	.85	4,682	11.0	NA
99 Air Products & Chemicals[6]	512	26.9	160	NM	118	–35	13.9	.58	2,132	24.0	4.4
100 Heinz (H.J.)[1]	508	28.2	339	12.2	163	57	24.3	.63	4,639	11.0	10.2

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES	MARKET VALUE / CASH FLOW RATIO
		% change		% change		5-year total	%	%	$ millions	%	
101 Ralston Purina[6]	507	108.1	526	99.7	–1	–47	54.8	1.76	5,868	8.6	8.8
102 Ryder System	506	–37.1	187	16.3	–996	–223	13.8	1.97	4,609	11.0	4.1
103 MCI Communications†	503	8.4	85	NM	–183	–1,064	6.3	2.10	3,939	12.8	5.3
104 Federal Express[3]†	502	14.3	167	26.6	CF	CF	15.5	.75	3,178	15.8	4.1
105 Champion International	502	–28.9	382	90.2	–40	13	–13.0	.63	4,615	10.9	6.6
106 Gulf + Western[7]†	501	–63.4	356	55.7	CF	CF	16.9	.66	2,904	17.3	8.5
107 Scott Paper	497	44.0	234	25.4	–16	CF	14.9	.94	4,122	12.1	5.2
108 IC Industries	495	123.3	249	NM	132	–141	15.8	1.34	4,027	12.3	7.1
109 Trans World Airlines	478	797.2	45	NM	272	–341	–5.5	4.86	4,056	11.8	1.2
110 USAir	476	64.7	195	97.9	–61	–46	10.5	.99	3,001	15.8	3.1
111 Brunswick	470	180.4	169	53.0	306	47	19.9	.47	3,086	15.2	2.8
112 Gannett	466	–10.3	319	15.6	76	187	19.9	.68	3,079	15.1	13.6
113 MCA	465	–38.1	137	–11.6	–462	–126	8.8	.65	2,590	18.0	5.4
114 Warner Communications	464	35.5	298	82.2	206	–267	17.3	.28	3,404	13.6	7.5
115 Campbell Soup[4]	463	4.7	247	10.8	52	129	14.2	.27	4,490	10.3	7.8
116 Marriott	462	1.5	223	16.3	–759	–634	27.5	3.14	6,522	7.1	7.7
117 International Paper	461	3.8	407	33.4	–567	–302	9.6	.55	7,763	5.9	10.2
118 FMC	458	–16.5	191	25.4	293	–1,528	NM	NM	3,139	14.6	2.5
119 Amerada Hess	457	17.0	230	NM	–20	91	10.7	.76	4,707	9.7	4.5
120 Schering-Plough	456	42.3	316	19.0	159	80	21.9	.69	2,699	16.9	11.5
121 Texas Instruments	454	120.8	257	543.9	–89	–304	14.1	.24	5,595	8.1	9.7
122 Macy (R.H.)	452	NM	–14	NM	169	–270	NM	10.78	5,210	8.7	NA
123 USG	450	45.5	204	–20.0	172	9	33.5	1.35	2,898	15.5	3.3
124 Boise Cascade	446	64.8	183	80.2	95	–242	12.0	.65	3,821	11.7	4.1
125 Upjohn	443	23.4	305	20.7	119	57	18.2	.28	2,530	17.5	12.7
126 Warner-Lambert	443	–14.5	296	–4.4	–4	219	33.8	.51	3,485	12.7	10.5
127 Boeing	441	–76.9	480	–27.8	–528	906	9.6	.05	15,355	2.9	12.8
128 Times Mirror	440	33.9	266	–34.7	22	–216	18.3	.61	3,080	14.3	10.5
129 GenCorp[8]	437	63.6	18	–86.2	300	29	NM	NM	1,619	27.0	1.6
130 Reynolds Metals†	432	144.8	201	97.0	92	–42	12.3	1.08	4,284	10.1	5.9
131 PACCAR	427	300.9	112	107.2	362	48	14.0	.05	2,424	17.6	2.4
132 Union Camp	425	26.0	207	59.7	144	31	14.3	.46	2,308	18.4	6.1
133 Textron	423	25.9	261	8.1	109	63	11.5	.65	5,388	7.9	4.8
134 American Cyanamid	413	–16.5	264	30.4	14	136	14.1	.52	4,166	9.9	9.0
135 Marsh & McLennan	413	5.0	302	24.2	128	168	38.2	.20	2,147	19.2	8.9
136 Pillsbury[2]	412	–31.5	182	–12.6	–44	179	13.2	.76	6,128	6.7	7.4
137 American Medical International[4]†	409	–5.9	111	NM	96	–83	12.2	1.91	2,704	15.1	2.7
138 Humana[3]	409	–12.0	183	235.8	49	58	19.0	1.28	2,832	14.4	4.6
139 Squibb	407	–48.2	358	36.0	110	584	24.0	.17	2,157	18.9	15.5
140 Kerr-McGee	398	26.0	84	NM	66	–92	6.2	.49	2,608	15.3	4.4
141 General Mills[2]	395	–63.0	222	21.0	–55	663	30.4	.52	5,189	7.6	11.1
142 NWA	395	–25.5	103	33.9	–306	–169	7.0	.85	5,142	7.7	2.7
143 Wal-Mart Stores[9]	385	5.8	628	39.5	–355	–282	27.8	.52	15,959	2.4	38.2
144 Avon Products	384	120.3	238	50.1	117	–118	31.4	1.16	2,763	13.9	4.8
145 Gillette	376	76.6	330	NM	136	–139	38.4	1.79	3,167	11.9	8.7
146 Amdahl	376	56.1	142	261.0	207	112	18.5	.21	1,505	25.0	4.9
147 Woolworth (F.W.)[9]	374	17.6	251	17.3	25	28	14.6	.21	6,850	5.5	5.9
148 Centel	364	–13.9	157	44.1	–89	80	15.2	.86	1,476	24.7	4.2
149 Pennzoil	363	–26.9	44	–35.4	51	154	4.6	1.70	1,787	20.3	8.1
150 Service Merchandise	358	976.8	25	NM	280	–127	8.1	2.29	2,719	13.2	0.3

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES	MARKET VALUE/ CASH FLOW RATIO
151 Donnelley (R.R.) & Sons	356	28.2	218	37.9	CF	CF	18.9	.22	2,483	14.4	7.1
152 Union Texas Petroleum Holdings	352	NM	56	NM	-2	-240	2.9	1.57	1,257	28.0	1.9
153 Tribune	351	1.3	142	-51.7	107	148	12.9	.50	2,160	16.3	8.9
154 Browning-Ferris Industries[6]	347	43.8	172	25.7	-288	-91	19.7	.69	1,657	20.9	11.9
155 Navistar International†	345	-41.2	146	NM	196	492	31.8	.32	3,530	9.8	3.1
156 Cooper Industries	338	-27.2	174	17.7	129	266	10.9	.62	3,575	9.5	8.2
157 Xerox	333	-80.2	578	18.4	CF	236	10.4	.39	10,320	3.2	17.0
158 Fort Howard	331	45.2	158	7.8	45	-202	12.1	.34	1,758	18.8	7.0
159 CBS	331	-29.7	136	-28.4	159	144	11.0	.72	2,762	12.0	11.2
160 Ashland Oil[8]	329	-26.2	133	-36.0	-177	68	12.5	.76	6,871	4.8	5.4
161 American Petrofina (Class A)	328	155.3	83	NM	104	-28	11.4	.82	2,484	13.2	2.3
162 Westvaco[7]	325	8.4	146	35.2	-13	5	12.4	.43	1,904	17.1	5.6
163 Armco	324	543.7	141	NM	225	-137	19.4	1.01	2,927	11.1	3.0
164 Intel	324	229.9	176	NM	22	-61	13.4	.57	1,907	17.0	13.8
165 Great Northern Nekoosa	323	12.7	201	135.2	11	90	16.4	1.26	2,589	12.5	7.9
166 Viacom	317	291.9	-123	NM	230	26	-29.1	2.61	1,011	31.4	3.1
167 Limited	316	11.7	235	3.3	-13	54	32.3	.47	3,528	9.0	9.8
168 Rohm & Haas	316	2.9	195	41.3	-41	34	18.5	.35	2,203	14.3	6.7
169 Raytheon	316	-44.2	445	13.2	-179	79	24.1	.27	7,659	4.1	14.3
170 Southern New England Tel.	315	-12.3	140	0.4	-170	-20	12.9	.78	1,470	21.4	4.4
171 Greyhound	314	138.8	83	-12.3	138	-101	8.7	.95	2,259	13.9	3.1
172 TW Services†	311	387.4	57	260.0	154	-111	12.5	2.61	2,492	12.5	2.2
173 Martin Marietta	309	-45.1	231	14.0	-21	208	25.4	.39	5,165	6.0	7.2
174 Dun & Bradstreet	294	-52.4	393	15.6	-154	262	23.6	.02	3,359	8.8	28.3
175 Louisiana Land & Exploration	294	7.0	25	NM	97	88	4.2	.94	784	37.5	3.6
176 Time	289	-49.1	250	-33.5	-49	232	20.0	.91	4,193	6.9	16.5
177 Firestone Tire & Rubber[7]	289	20.0	103	NM	4	-29	8.7	.36	3,867	7.5	3.8
178 AMP	287	-6.0	250	51.9	15	60	18.5	.14	2,318	12.4	17.5
179 Murphy Oil	286	16.9	-44	NM	105	51	-5.8	.49	1,474	19.4	2.7
180 International Minerals & Chemical	286	NM	15	NM	145	-343	0.2	.80	1,638	17.5	4.5
181 Knight-Ridder	286	-1.1	155	10.8	67	92	17.2	.61	2,073	13.9	7.9
182 Corning Glass Works	284	11.3	189	16.6	CF	CF	12.3	.29	2,084	13.7	7.4
183 Dow Jones	284	-1.3	203	10.7	114	160	24.0	.52	1,314	21.6	10.2
184 Halliburton	281	-56.5	48	NM	95	391	2.3	.11	3,373	8.3	9.3
185 Triangle Industries	279	129.3	55	16.7	-46	-44	12.9	3.95	4,336	6.4	2.2
186 VF	273	NM	180	38.9	49	-256	18.3	.56	2,574	10.6	6.1
187 ALLTEL	271	10.2	104	87.1	43	12	17.7	.96	736	36.8	3.5
188 Bowater	269	425.0	81	64.1	CF	-246	10.7	.47	1,231	21.8	4.0
189 Stone Container	267	576.9	161	355.5	139	-46	21.6	1.48	3,233	8.3	5.5
190 Freeport McMoRan	264	34.1	249	868.1	CF	34	32.0	.86	1,514	17.5	6.5
191 Cabot	264	-0.3	39	-46.3	132	152	6.6	.44	1,424	18.6	3.4
192 Coca-Cola Enterprises	262	23.2	88	218.0	25	68	5.8	1.41	3,329	7.9	7.6
193 Nerco	262	53.1	60	4.5	166	98	17.1	.79	632	41.5	1.8
194 Goodrich (B.F.)	262	-24.9	84	550.4	42	65	8.5	.39	2,168	12.1	3.9
195 Safeway Stores	259	-9.7	-112	NM	-818	-457	NM	NM	18,301	1.4	NA
196 Wheeling-Pittsburgh Steel	259	286.3	52	NM	177	43	NM	NM	1,001	25.9	0.1
197 IBP	258	267.5	68	1.7	-771	-15	14.8	.95	7,681	3.4	2.4
198 Ingersoll-Rand	257	-2.6	108	7.3	-32	92	9.0	.30	2,648	9.7	7.2
199 Bausch & Lomb	257	167.0	85	14.3	176	18	14.8	.31	840	30.6	4.0
200 Mapco	255	80.1	57	-26.9	153	59	11.2	.77	1,581	16.1	3.8

ALPHABETICAL RANKING—CASH FLOW: THE TOP 200

COMPANY	Rank '87	'86
AMP	178	172
AMR	62	75
AT&T	4	4
Abbott Laboratories	60	86
Air Products & Chemicals	99	136
Allegis	22	70
ALLTEL	187	
Allied-Signal	27	67
Aluminum Co. of America	78	62
AMAX	68	
Amerada Hess	119	140
American Cyanamid	34	115
American Home Products	66	33
American Info. Tech.	17	14
American Medical Int'l.	137	132
American Petrofina (Class A)	161	
Amdahl	146	
Amoco	10	19
Anheuser-Busch	53	57
Armco	163	
Ashland Oil	160	128
Atlantic Richfield	9	40
Avon Products	144	
Bausch & Lomb	199	
Bell Atlantic	15	12
BellSouth	12	7
Bethlehem Steel	96	
Boeing	127	24
Boise Cascade	124	186
Borden	73	79
Bowater	188	
Bristol-Myers	65	84
Browning-Ferris Industries	154	
Brunswick	111	
Burlington Northern	46	38
CBS	159	121
CPC Int'l.	77	117
CSX	35	51
Cabot	191	190
Campbell Soup	115	130
Capital Cities/ABC	94	
Caterpillar	91	
Centel	148	134
Champion Int'l.	105	81
Chevron	6	6
Chrysler	19	18
Coca-Cola	36	55
Coca-Cola Enterprises	192	
Consolidated Rail	80	102
Contel	59	68
Cooper Industries	156	124
Corning Glass Works	182	194
Delta Air Lines	63	148
Digital Equipment	29	35
Donnelley (R.R.) & Sons	151	
Dow Chemical	26	31
Dow Jones	183	180
Du Pont (E.I.)	8	11
Dun & Bradstreet	174	90
Eastman Kodak	23	36
Eaton	70	
Emerson Electric	84	112
Exxon	1	3
FMC	118	99
Federal Express	104	131
Federated Dept. Stores	95	114
Firestone Tire & Rubber	177	200
Ford Motor	3	2
Fort Howard	158	
Freeport McMoRan	190	
GTE	11	9
Gannett	112	106
GenCorp	129	188
General Electric	7	16
General Mills	141	50
General Motors (Class E)	54	96
General Motors (Class H)	50	73
Georgia-Pacific	88	105
Gillette	145	
Goodrich (B.F.)	194	146
Goodyear Tire & Rubber	38	111
Great Northern Nekoosa	165	181
Greyhound	171	
Gulf + Western	106	
Halliburton	184	88
Heinz (H.J.)	100	137
Hewlett-Packard	43	52
Holiday	82	94
Hospital Corp. of America	75	147
Humana	138	123
IBP	197	
IC Industries	108	
ITT	42	23
Ingersoll-Rand	198	191
Intel	164	
IBM	2	1
Int'l. Minerals & Chemical	180	
Int'l. Paper	117	129
Johnson & Johnson	56	39
Kellogg	92	101
Kerr-McGee	140	166
Kiewit (Peter) Sons	98	
Kimberly-Clark	83	133
K mart	74	82
Knight-Ridder	181	178
Kraft	81	53
LTV	57	
Lilly (Eli)	85	58
Limited (The)	167	183
Lockheed	51	66
Louisiana Land & Exploration	175	184
MCA	113	74
MCI Communications	103	125
Macy (R.H.)	122	
Mapco	200	
Marriott	116	127
Marsh & McLennan	135	139
Martin Marietta	173	98
May Department Stores	93	
McDonald's	48	60
Merck	49	54
3M	31	32
Mobil	14	10
Monsanto	89	48
Motorola	79	85
Murphy Oil	179	197
NCR	55	83
NWA	142	104
Navistar Int'l.	155	92
Nerco	193	
Norfolk Southern	64	64
NYNEX	16	15
Occidental Petroleum	25	80
Owens-Corning Fiberglas	71	
PPG Industries	87	126
PACCAR	131	
Pacific Telesis	24	13
Penney (J.C.)	76	87
Pennzoil	149	113
PepsiCo	34	27
Philip Morris	18	22
Phillips Petroleum	44	44
Pillsbury	136	91
Procter & Gamble	28	42
Quantum Chemical	61	
RJR Nabisco	13	17
Ralston Purina	101	198
Raytheon	169	97
Reynolds Metals	130	
Rockwell Int'l.	37	37
Rohm & Haas	168	170
Ryder System	102	69
Safeway Stores	195	
Santa Fe Southern Pacific	39	43
Sara Lee	72	168
Schering-Plough	120	163
Scott Paper	107	150
Service Merchandise	150	
SmithKline Beckman	67	77
Southern New England Tel.	170	144
Southwestern Bell	21	20
Squibb	139	72
Stone Container	189	
Sun	32	119
TRW	90	120
TW Services	172	
Tenneco	33	47
Texaco	5	8
Texas Instruments	121	
Textron	133	155
Time	176	116
Times Mirror	128	159
Triangle Industries	185	
Tribune	153	149
Trans World Airlines	109	
USX	58	26
USG	123	169
Union Camp	132	154
Union Carbide	97	34
Union Pacific	47	29
Union Texas Petroleum	152	
Unisys	30	49
United Technologies	45	
United Parcel Service	41	46
USAir	110	179
US West	20	21
United Telecommunications	52	61
Unocal	40	30
Upjohn	125	143
VF	186	
Viacom	166	
Wal-Mart Stores	143	142
Warner Communications	114	151
Warner-Lambert	126	107
Waste Management	86	63
Westvaco	162	174
Weyerhaeuser	69	100
Wheeling-Pittsburgh Steel	196	
Woolworth (F.W.)	147	164
Xerox	157	28

DEFINITIONS AND FOOTNOTES

Definitions:

☐ Cash Flow: funds from operations, derived from net income (minus extraordinary items) plus depreciation and deferred taxes, and also adjusted for changes from the prior year in current receivables, current assets other than cash and cash equivalents, current accounts payable, income taxes payable and other current liabilities except notes payable and debt due within one year.

☐ Percentage change in cash flow from operations: current cash flow divided by the prior year's cash flow.

☐ Discretionary cash flow from operations: cash flow from operations minus capital expenditures, total dividends and debt due in one year as reported in prior year's statement.

☐ Return on common equity: net income available for common shareholders divided by stockholders' equity—that is, common stock plus capital surplus and retained earnings.

☐ Debt as a percentage of equity: the ratio of total debt to total equity. It is calculated by taking long-term debt plus the portion of long-term debt due in one year plus notes payable and dividing the total by stockholders' equity.

☐ The market value/cash flow ratio is arrived at by multiplying the number of shares outstanding on December 31, 1987 by the share price of that day and then dividing that result by the cash flow.

Abbreviations:

CF: combined figure (calculation cannot be done because the company did not report individual items). NM: not meaningful (equation contains one or more negative numbers). NA: not available.

Footnotes:

1. For fiscal year ended April 30, 1987. 2. For fiscal year ended May 31, 1987. 3. For fiscal year ended June 30, 1987. 4. For fiscal year ended July 31, 1987. 5. For fiscal year ended August 31, 1987. 6. For fiscal year ended September 30, 1987. 7. For fiscal year ended October 31, 1987. 8. For fiscal year ended November 30, 1987. 9. For fiscal year ended January 31, 1988. † The net income reported by these companies includes items that are normally excluded in our calculations.

Source:

The study is drawn from the Standard & Poor's Compustat data base of 7,193 companies, from which were eliminated financial companies (savings and loans, banks, insurance companies, securities firms and finance companies), and companies with more than 50 percent of profits from domestic finance subsidiaries and regulated gas and electric utilities.

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them and pay off depositors and kiss them goodbye? Or should they try to merge them with a stronger thrift and provide some federal assistance? The latter procedure seems to be more common.

Q Is it working?

A Well, I think that at some point, on a case-by-case basis, the regulators are going to have to decide whether their limited resources should be used to preserve a dead horse. I think the jury is out. Instead of trying to save every S&L in Texas, they may have to liquidate some of them. And that's a tough step. Should we have saved the Packard? It was a wonderful car. But why should General Motors be taxed to save its competitor? We should—and must—protect the small depositor, and let others take their chances.

Q Isn't that a fairly radical political idea?

A Well, it depends on whether you want to protect fat cats or the common man. And I hear from Jesse Jackson that we ought not protect the fat cats. A guy who put a million dollars in an S&L to get two percentage points more in interest than he could get at a commercial bank took a risk to get that reward. When the S&L fails he then comes and cries all over the rug for the government to do something. I don't have much sympathy for him.

The taxpayers can't underwrite all the bad management in the world. S&Ls that have run their business well enough to survive in the wildly changing climate are being penalized because they must pay substantially higher premiums to the FSLIC to pay for the bailouts of their poorly managed brethren. So the more successful they are, the more they're penalized. Nice, in a good socialist society. But Darwin had a book on the subject. If your magazine is failing, should the Federal Magazine Insurance Corporation bail you out?

Q Doesn't the effort to bail out the S&Ls stem from their clout in Washington?

A Without a doubt. Jim Wright, the Speaker of the House, is a Texan, and he is trying to protect his constituents. So, like anything else, it's a political problem.

Q There is a drive in Congress to repeal the Glass-Steagall Act, which bars banks from the securities business. The law was passed after the bank failures following the 1929 crash, when many banks lost depositors' money in the market. After the 1987 crash, which saw some banks take huge losses in trading securities options, is this the time to kill Glass-Steagall?

A The bank failures after 1929 had nothing to do with the banks' role in the securities business. Banks failed for the simple reason that the Federal Reserve did not supply enough liquidity to the banking system. Keeping the banks out of the securities business simply preserves the present monopoly the securities firms have.

Q If Glass-Steagall is repealed, do you expect the banks to get into trouble in the securities business?

A Of course. Everybody gets into trouble in the securities business. People get into trouble in every business; magazines fail every day. There will be winners and there will be losers.

Q How much of a danger to the banking system is posed by the huge debts of the developing countries?

A Very little. What is not understood is that the Federal Reserve arrogated unto itself the negotiation of the Mexican debt. At the beginning of 1987, Paul Volcker negotiated a deal with the Mexican government at below-market rates, and he forced the banks to take it.

Q Did you support last year's decision by John Reed, the CEO of Citicorp, to write off the debt of the developing nations?

A I said the day he did it that taking the reserve was brilliant. Reed said, "I will negotiate for myself, thank you very much." That is the greatest unwritten story in American finance.

Q Didn't his decision say in effect that those loans were a bad idea in the first place?

A No, because the world had changed. And when the world changes, you do something else. There's nothing dumber than continuing to do what you were doing in a different world.

Q So if you had to do it all over again, you would make those loans?

A Yes. The recycling of the OPEC dollars kept the world afloat. We didn't know that OPEC would be broken or that the Fed would bring us the greatest recession since the 1930s.

Q So you blame it all on Volcker?

A No, of course not. But the fact is that he locked the wheels of the world. Credit was much too tight. What it did was cause a worldwide recession. It caused many domestic companies, farmers and